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7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 OAKLAND DIVISION
11

12 SUCCESSFACTORS, INC., a Delaware
corporation,

13 Plaintiff,

14 v.

15 SOFTSCAPE, INC., a Delaware corporation;
16 and DOES 1-10, inclusive,

17 Defendant.

Case No.: C-08-1376 (CW)

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
DEFENDANT SOFTSCAPE, INC.'S
RESPONSE TO ORDER TO SHOW
CAUSE AND IN OPPOSITION TO
MOTION OF PLAINTIFF
SUCCESSFACTORS, INC. FOR
EXPEDITED DISCOVERY**

[Declaration of Susan Mohr filed herewith]

Date: March 27, 2008

Time: 2:00 p.m.

Place: Courtroom 2

Honorable Claudia Wilken

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I. INTRODUCTION

Plaintiff SuccessFactors, Inc. ("SuccessFactors") and defendant Softscape, Inc. ("Softscape") are competitors in the human resource software industry. On March 4, 2008, approximately twenty-five SuccessFactors customers allegedly received an anonymous e-mail from hcmknowledge2008a@gmail.com. Attached to the e-mail was an unflattering 43-page PowerPoint presentation about SuccessFactors labeled the "Naked Truth."

Without contacting Softscape, SuccessFactors leapt to the conclusion that the presentation was a "hit piece" generated by Softscape and that it had been purposely (albeit anonymously) provided to SuccessFactors' customers by Softscape as part of a competitive marketing campaign. SuccessFactors filed suit on March 11, 2008, and immediately sought a Temporary Restraining Order ("TRO"), preliminary injunction, and expedited discovery.

As has become readily apparent, however, SuccessFactors made a mistake. In responding to SuccessFactors' request for a TRO, Softscape conceded that it had produced the PowerPoint presentation, but that it was intended for *internal* use only. Softscape never authorized the release or publication of the presentation and did not participate in its circulation. The publication was never used in any Softscape external sales meetings and was *never* meant to be published or circulated.

Nonetheless, SuccessFactors continues to push for a preliminary injunction and expedited discovery. This effort is legally unsound, however, because SuccessFactors is seeking a preliminary injunction as a remedy for *past* actions. There is no hint, threat or evidence in this case of any continued conduct from Softscape, the anonymous e-mailer, or any other person sufficient to justify SuccessFactors' request for a preliminary injunction and expedited discovery.

II. STATEMENT OF FACTS

Defendant Softscape develops and markets human resource management software. Declaration of Susan Mohr ("Mohr. Decl."), Exhibit A, ¶ 2. SuccessFactors and Softscape are competitors in this industry. Mohr Decl., ¶ 3.

On or about March 4, 2008, approximately twenty-five customers of plaintiff

1 SuccessFactors allegedly received an anonymous e-mail sent from mailbox
2 hcmknowledge2008a@gmail.com. Attached to the e-mail was a 43-page PowerPoint presentation
3 (the "Presentation") entitled the "Naked Truth." The Presentation used the logo of
4 SuccessFactors, included screenshots from various parts of SuccessFactors's website, and
5 presented information that was unfavorable to SuccessFactors. This circulation occurred only
6 once. There do not appear to have been any additional e-mails regarding SuccessFactors sent from
7 that e-mail address, nor have there been other similar documents circulated by anyone connected
8 with Softscape. Mohr Decl., ¶ 4.

9 On March 11, 2008, SuccessFactors filed suit. Claiming a host of injuries from
10 Softscape's alleged distribution of the Presentation, as well as from Softscape's alleged accessing
11 of SuccessFactors' website, SuccessFactors sought a TRO, expedited discovery and a preliminary
12 injunction.

13 Softscape conceded that it had prepared the Presentation, and that the document had been
14 intended only for internal use by Softscape's sales force. Mohr Decl., Ex. A. ¶ 4. Softscape did
15 not authorize the release or publication of the Presentation, and Softscape did not participate in the
16 circulation of the Presentation, either directly or indirectly, to SuccessFactors' customers. Mohr
17 Decl., ¶ 5. Softscape does not, and will not, use the Presentation in any external sales or
18 marketing efforts, has never authorized its release, and considers the Presentation to be its
19 confidential strategic business information. *Id.* Indeed, when Softscape first learned of the
20 Presentation's release, the CEO of Softscape sent an e-mail to all sales staff confirming the
21 confidentiality of the document and instructing them that it was not to be released outside of the
22 company. Mohr Decl., Ex. B, ¶ 6.

23 At this point, Softscape does not know how or by whom the Presentation was released.
24 Mohr Decl., ¶ 7. Softscape does not take the release of the Presentation lightly, however.
25 Softscape's Code of Conduct, for example, provides that "No employee shall disclose the
26 Company's confidential information to an unauthorized third party or use the Company's
27 confidential information for his or her own personal benefit." *Id.* Softscape consistently enforces
28

the terms of its employment and confidentiality policies, and violators are subject to discipline up to, and including, termination. Mohr Decl., ¶ 8. Softscape has even sued employees and former employees for breaches of its employment agreement. *Id.*

On March 13, 2008, the Court granted in part SuccessFactors' application for a TRO and ordered a show cause hearing for March 27, 2008.

III. ARGUMENT

A. **This Court Should Deny A Preliminary Injunction Because Plaintiff Has Failed To Demonstrate Either Imminent Irreparable Injury Or Any Probability Of Success On The Merits**

To obtain preliminary injunctive relief, SuccessFactors must demonstrate either "(1) a likelihood of success on the merits and the possibility of irreparable injury; or (2) that serious questions going to the merits were raised and the balance of hardships tips sharply in its favor. The two prongs are not separate tests but rather extremes of a single continuum, so the greater the relative hardship to the party seeking the preliminary injunction, the less probability of success must be shown." *Nelson v. NASA*, 512 F.3d 1134, 1141 (9th Cir. 2008) (internal citations, quotation marks, and alterations omitted).

The minimum showing for a preliminary injunction is at least "a fair chance of success on the merits, or questions serious enough to require litigation" and at least "a significant threat of irreparable injury." *Cotter v. Desert Palace, Inc.*, 880 F.2d 1142, 1144 (9th Cir. 1989) (internal citation and quotation marks omitted). Here, because there is no threat of irreparable injury (and hence no hardship to SuccessFactors), and there is relatively little probability of success on the merits, SuccessFactors' request for a preliminary injunction must be denied.

1. **The Imminent Irreparable Injury Prerequisite Is Not Satisfied By Plaintiff's Claim Of Past Harm And Continuing Effects Thereof**

The core purpose of a preliminary injunction is to prevent imminent irreparable injury in the time between the motion and trial. That is why this Court may grant a preliminary injunction only if SuccessFactors "demonstrate[s] a *significant* threat of irreparable injury." *Simula, Inc. v. Autoliv, Inc.*, 175 F.3d 716, 725 (9th Cir. 1999) (emphasis added). If SuccessFactors cannot show

1 the threat of irreparable injury, then a preliminary injunction is improper *even if* SuccessFactors
 2 proves the likelihood of success on the merits. *Siegel v. LePore*, 234 F.3d 1163, 1176 (11th Cir.
 3 2000); *see also Local Union No. 884 v. Bridgestone/Firestone, Inc.*, 61 F.3d 1347, 1355 (8th Cir.
 4 1995).

5 SuccessFactors does not allege, much less demonstrate, that there is any threat – much less
 6 a *significant* threat – of imminent irreparable injury. Instead, SuccessFactors’ “injury” is, at best,
 7 the continuing effects of a single act of distribution on March 4, 2008. Because SuccessFactors
 8 cannot establish that there is a risk of imminent irreparable injury, there is no basis for a
 9 preliminary injunction.

10 **(a) SuccessFactors’ Sole Reliance On Past Conduct To Establish Irreparable**
 11 **Injury Is Not Sufficient to Justify A Preliminary Injunction**

12 Past harm is insufficient to establish the threat of irreparable injury. *See City of Los*
 13 *Angeles v. Lyons*, 461 U.S. 95, 102 (1983). In *Lyons*, the Supreme Court held that a preliminary
 14 injunction against the use of police chokeholds was improper because the plaintiff only showed
 15 that he had been subject to a chokehold in the past and provided no evidence of any “real or
 16 immediate threat” of being “wronged again.” *Id.* at 111. *See also Loya v. INS*, 583 F.2d 1110,
 17 1114 (9th Cir. 1978) (“Injunctive relief is designed to deter future misdeeds, not to punish for past
 18 conduct ... As a matter of law, therefore, plaintiffs could not obtain an injunction as to alleged past
 19 violations of their rights.”); *Alabama v. United States Army Corps of Engineers*, 424 F.3d 1117,
 20 1134 (11th Cir. 2005) (“Past harm ... does not fall within [the] window [between ruling on the
 21 preliminary injunction and trial], and therefore cannot serve as a basis for granting a preliminary
 22 injunction”).

23 As this court has recognized, one isolated past incident does not satisfy the requirement of
 24 present or future injury. *See Arthur J. Gallagher & Co., Inc. v. Edgewood Parts. Ins. Ctr.*, 2008
 25 U.S. Dist. LEXIS 8924 *7 n.4 (N.D. Cal. Jan. 23, 2008) (holding in a misappropriation of
 26 confidential business information case that “this one incident is insufficient to demonstrate a threat
 27 of present or future harm”) (citing *ACT-UP v. Walp*, 755 F. Supp. 1281, 1285-86 (M.D. Pa. 1991)

(denying preliminary injunction based on an “isolated incident performed by a state police officer who had overstepped his authority.”)); *see also Upper Hudson Planned Parenthood, Inc. v. Doe*, 836 F. Supp. 939, 959 (N.D.N.Y. 1993) (“a court may not rest a finding of irreparable harm solely on the past conduct of the parties.”).

Here, SuccessFactors relies exclusively on Softscape’s alleged past conduct to justify the preliminary injunction. SuccessFactors alleges that Softscape accessed its public website and webinars *in the past*, accessed a password-protected demo site *in the past*, and released the Presentation (only once) *in the past*. *See* Plaintiff’s Application for TRO (Docket No. 15) at pp. 4-7. There is no allegation here, much less a hint of any evidence, that Softscape may undertake any similar conduct in the future. As SuccessFactors concedes, “the preliminary injunction motion is about one document: the Presentation.” *See* Plaintiff’s Application for Expedited Discovery (Docket No. 12) at p. 5. SuccessFactors’ entire discussion of irreparable injury focuses on the past. *See* Application for TRO at p. 8. Even when apprised that Softscape would “assert that [the Presentation] was intended as an internal document,” SuccessFactors never alleged *any* threat of future acts by Softscape. *See* SuccessFactors’ Supplemental Statement in Support of TRO (Docket No. 22) at pp. 2-3 (“Supp. Statement”). Thus, no matter how reprehensible Softscape’s *past* conduct is alleged to have been, that *past* conduct provides no basis for a preliminary injunction. *Buckingham Corp. v. Karp*, 762 F.2d 257, 262 (2d Cir. 1985) (even if the defendant’s conduct “may have been reprehensible, inequitable conduct alone cannot justify the entry of a preliminary injunction.”).

(b) Even If There Is The Possibility of Continuing Harm To SuccessFactors From the Distribution of the Presentation, That Does Not Satisfy the Irreparable Injury Requirement

Not only is past conduct insufficient to establish the threat of irreparable injury, but the continuing effects of that past conduct cannot establish the threat of immediate or future irreparable injury. *See, e.g., Sanborn Mfg. Co., Inc. v. Campbell Hausfeld/Scott Fetzer Co.*, 997 F.2d 484, 489-90 (8th Cir. 1993) (affirming the district court’s conclusion that “present harm” from acts that occurred before the preliminary injunction motion were “not sufficient” to justify

1 some additional corrective action through a preliminary injunction); *Lucero v. Detroit Public*
 2 *Schs.*, 160 F. Supp. 2d 767, 802 (E.D. Mich. 2001) (same). As the Supreme Court has held, “the
 3 sole function of an action for injunction is to forestall *future violations*.” *United States v. Oregon*
 4 *State Med. Soc.*, 343 U.S. 326, 333 (1952) (emphasis added); *Nat’l Wildlife Fed. v. Burlington*
 5 *Northern RR*, 23 F.3d 1508, 1511 (9th Cir. 1994) (noting that plaintiff must show “a reasonable
 6 likelihood of future violations” of the law in question).

7 The Second Circuit’s decision in *Buckingham Corp.*, 762 F.2d at 260-63, illuminates this
 8 rule. In that case, a former employee used confidential documents to establish a competing
 9 business. The former employer obtained a preliminary injunction against the former employee.
 10 The Second Circuit reversed, holding the former employee’s past conduct (solicitation of suppliers
 11 and use of the documents) was insufficient to justify the preliminary injunction. Importantly, the
 12 court held that the loss of two suppliers was “purely past injury” even though “the damage flowing
 13 from the injury, in terms of lost profits, may last well into the future.” *Id.* at 262. Thus, past
 14 injury with current effects “does not constitute a threatened irreparable ongoing or future injury
 15 that [a preliminary injunction] could forestall.” *Id.*

16 Here, the most that SuccessFactors’ evidence purports to show is continuing damage
 17 flowing from the singular dissemination of the Presentation. *See* Application for TRO at p. 7.
 18 SuccessFactors makes no claim of any threat of future irreparable injury, and any continuing
 19 alleged damage to SuccessFactors from the March 4, 2008 distribution of the Presentation cannot
 20 properly be addressed or remedied by a preliminary injunction.

21 This conclusion is confirmed by the Third Circuit’s ruling in *Campbell Soup Company v.*
 22 *Conagra Inc.*, 977 F.2d 86 (1992). In *Campbell Soup*, a former employee of Campbell divulged
 23 trade secrets to her new employer ConAgra. ConAgra obtained a patent based in part on the trade
 24 secrets, and the public patent application disclosed the trade secrets. Campbell sued ConAgra and
 25 sought a preliminary injunction to prevent disclosure of the trade secrets. The Third Circuit held
 26 that the district court erred in granting the preliminary injunction because there was no “immediate
 27 irreparable harm ... at this time in light of the fact that ConAgra has *already* revealed” the trade
 28

1 secret in the patent application. *Id.* at 16. The court concluded that “further disclosure of
2 something already revealed cannot” establish immediate irreparable harm. *Id.*

3 Again, because all of the harm SuccessFactors alleges arises from what has already been
4 disseminated, there is no cause for an injunction to limit what has already been revealed. *See*
5 *Pirtek USA, LLC v. Zaetz*, 408 F. Supp. 2d 81, 86 (D. Conn. 2005) (holding that only continuing
6 “infrac[tion]s” – as opposed to past infrac[tions] – were the proper subject of a preliminary
7 injunction).

8 **(c) Because Softscape Does Not Intend to Disseminate the Presentation,**
9 **There Is No Basis for a Preliminary Injunction**

10 Beyond SuccessFactors’ inability to demonstrate an immediate irreparable injury,
11 Softscape’s assurance that it neither attempted nor intended to release the Presentation
12 affirmatively rebuts any risk of future irreparable injury. Softscape has provided sworn
13 declarations that it did not authorize or intend to release the Presentation. Softscape has further
14 assured this Court that it will not engage in such conduct in the future and that it does not, and will
15 not, use the Presentation in any of its external sales presentations. Nonetheless, SuccessFactors
16 continues to press for a preliminary injunction. Despite the authority that “injunctions will not be
17 issued merely to allay the fears and apprehensions or to soothe the anxieties of the parties,”
18 *Campbell*, 977 F.2d at 17-18, this is precisely what SuccessFactors seeks. *See* Supp. Statement at
19 p. 2 (labeling Softscape’s assurances as “cold comfort” and seeking the reassurance of a “court
20 order.”). Putting to one side the illogical contention that whoever distributed the Presentation in
21 direct contravention of Softscape’s policies (with the risk of termination and/or being sued) would
22 somehow now heed those same dictates in the face of a court order, because Softscape is not
23 attempting and does not intend to circulate the same or similar types of presentations (and
24 SuccessFactors does not contend otherwise), there is simply no justification for a preliminary
25 injunction. No “injunction [will] be issued to restrain one from doing what he *is not attempting*
26 and *does not intend* to do.” *Campbell*, 977 F.2d at 18 (internal quotation marks omitted)
27 (emphases added).

28

1 **(d) The Presumption Of An Irreparable Injury Does Not Apply Here**

2 While it may be true that, for some trademark cases, establishing a probability of success
3 on the merits may allow a presumption of irreparable injury, *see Vision Sports, Inc. v. Melville*
4 *Corp.*, 888 F.2d 609, 612 n.3 (9th Cir. 1989), that rule does not apply in this case for two reasons.

5 First, and most importantly, SuccessFactors confuses the presumption that the injury is
6 irreparable with the requirement that there be imminent injury. If the presumption of irreparability
7 applies at all, it only applies in cases of continuing (or threatened) conduct. In fact, unlike this
8 case that is focused solely on *past* conduct, the cases cited by SuccessFactor involve the
9 continuing or threat of continuing trademark misuse. *See, e.g., GoTo.com v. Walt Disney Co.*, 202
10 F.3d 1199, 1204 (9th Cir. 2000) (Disney “did not cease to use the logo” that allegedly infringed
11 Go.com’s trademark despite a complaint from Go.com); *Valu Eng’g, Inc. v. Nolu Plastics, Inc.*,
12 732 F. Supp. 1024, 1025 (N.D. Cal. 1990) (continued distribution of a misleading sample and
13 sales pitch upon “direction of the highest levels of [] management”). Here, the presumption of
14 irreparable injury is inapposite *where there is no risk of future injury*. It is for this reason that the
15 court in *Campbell Soup*, 977 F.2d at 92-93, distinguished a similar presumption applicable to trade
16 secret cases on the basis that there was no threat of use of the trade secret in that case. Similarly,
17 there is no threat of continued injury in this case rendering the presumption of irreparable injury
18 inapplicable.

19 Second, the Supreme Court has strongly cautioned against employing presumptions that
20 substitute for the standard equitable considerations that underlie an injunction. *See eBay Inc. v.*
21 *MercExchange, LLC*, 547 U.S. 388 (2006). It appears that the majority of courts have found it
22 inappropriate to apply a presumption of irreparable injury at the preliminary injunction stage. *See*
23 *Nat’l League of Junior Cotillions, Inc. v. Porter*, Copy L. Rep. (CCH) ¶ 29,433 at *19 n.14
24 (collecting cases). At the very least, it is sensible not to rest any conclusion on irreparable harm
25 “solely on the presumption.” *Id.*

1 **2. SuccessFactors' Claims Have Very Little Probability of Success on the Merits**
 2 **Because SuccessFactors Fails to Establish Key Threshold Elements**

3 SuccessFactors cannot prove a likelihood of success on the merits because, as explained
 4 below, each of its claims fails to establish a key threshold element. In its motion, SuccessFactors
 5 only argues for a probability of success on the merits with respect to three claims: (1) Trademark
 6 Infringement, (2) False Advertising under the Lanham Act, and (3) an alleged violation of the
 7 Computer Fraud and Abuse Act. *See* Application for TRO, pp. 9-19. But each of these claims
 8 fails at the threshold. First, because SuccessFactors does not establish that it suffered sufficient
 9 loss from Softscape's alleged access to SuccessFactors' demo, its Computer Fraud and Abuse Act
 10 claim fails at the outset. Additionally, because Softscape only used the presentation *internally*, the
 11 Lanham Act simply does not apply. Far from a probability of success, SuccessFactors' claims are
 12 meritless.

13 **(a) Because SuccessFactors' Alleged Costs To Track Down the Author of**
 14 **the Presentation Does Not Satisfy The Threshold Requirement of**
 15 **\$5,000 in Loss, The Computer Fraud and Abuse Act Claim Has No**
 Chance of Success on the Merits.

16 The Computer Fraud and Abuse Act ("CFAA") prohibits certain malicious online activities
 17 and provides a civil cause of action for the victims of particularly damaging acts. As a
 18 prerequisite to its civil CFAA claim, SuccessFactors must first demonstrate that SuccessFactors
 19 suffered a loss from Softscape's allegedly unauthorized access in excess of \$5,000. But the only
 20 "loss" alleged by SuccessFactors is a type of cost *expressly excluded from the statutory calculus*.
 21 Thus, SuccessFactors cannot show any chance of success on the merits.

22 As applicable here, the CFAA requires that any civil plaintiff allege that it suffered at least
 23 \$5,000 in loss from the unauthorized conduct. 18 U.S.C. § 1030(a)(5)(B)(i). Not every type of
 24 loss is included for the statutory threshold, however. The statute limits "loss" to "the cost of
 25 responding to offense" meaning "damage assessment" and restoration of the computer system, and
 26 lost revenue because of the interruption of service. 18 U.S.C. § 1030(e)(11). The cost of
 27 investigating and trying to locate the perpetrator is *not* included as a qualifying type of loss. *Tyco*
 28

1 *Int'l (US) v. Does*, 2003 U.S. Dist. LEXIS 25136, at *8-9 (S.D.N.Y. Aug. 29, 2003); *see also*
 2 *United States v. Schuster*, 467 F.3d 614 (7th Cir. 2006) (costs incurred by victims primarily to
 3 investigate the offense or aid the government's prosecution are not included as "loss"). Nor does
 4 the term "loss" include time spent responding to effects unrelated to the computer system, *see*
 5 *Nexans Wires S.A. v. Sark-USA, Inc.*, 2004 U.S. Dist. LEXIS 9712, at *25-26 (S.D.N.Y. May 27,
 6 2004) (excluding costs of responding to misappropriation of trade secrets), or any damage
 7 assessment done for the purpose of litigation, *see Thurmond v. Compaq Computer Corp.*, 171 F.
 8 Supp. 2d 667, 680-83 (E.D. Tex 2001).

9 Here, the *only* loss alleged by SuccessFactors is the cost of investigating the source of the
 10 Presentation and the identity of who accessed SuccessFactors' computer system. Declaration of
 11 James Matheson (Docket No. 18), ¶ 4 ("I spent approximately 28 hours . . . in an effort to
 12 determine the author of this piece.") (emphasis added); *see also id.* ("We had to set aside our
 13 normal business activities to assist the company in determining *who is behind* the e-mail blast.")
 14 (emphasis added); Declaration of Robert Bernshyeyn (Docket No. 17), ¶ 6 (noting that the
 15 investigative team was looking into the distributor of the presentation, but making no mention of
 16 any assessment of damage to the system or loss of service). These costs *do not count* toward the
 17 required statutory threshold of \$5,000 in loss.¹ In other words, SuccessFactors cannot point to *any*
 18 evidence that a single moment of time was spent assessing any potential damage to
 19 SuccessFactors' computers or repairing such damage, and it does not (and reasonably cannot)
 20 allege that there were any costs associated with interruption of service. *See generally* Declaration
 21 of James Matheson.

22 SuccessFactors' cannot -- and does not -- allege a cognizable loss in excess of \$5,000.
 23 Because SuccessFactors does not establish the statutory prerequisite of loss, its CFAA claim has
 24 no probability of success.

25 _____
 26 ¹ If SuccessFactors belatedly claims it is now investigating for damage to its system, this cost is
 27 equally excluded from the statutory calculus. *Thurmond*, 171 F. Supp. 2d at 680-83 (excluding
 28 costs of a damage assessment done for purposes of litigation).

(b) **Because Softscape's Only Use of SuccessFactors' Trademarks Was Purely Internal, There Is No Probability of Success on the Lanham Act Claim For Trademark Infringement.**

Putting to one side the issues of nominative fair use, *e.g.*, *Mattel Inc. v. Walking Mountain Products*, 353 F.3d 792, 809-10 (9th Cir. 2003), SuccessFactors has no probability of success because Softscape's use of SuccessFactors' trademarks was purely internal and, therefore, outside the scope of the Lanham Act.²

At this stage, it cannot be disputed that the Presentation was intended for internal use at Softscape. Softscape did not distribute the Presentation to the public, and the disclosure of the Presentation was not authorized, ratified or condoned by Softscape. A trademark infringement claim *requires* that the defendant used the trademark "in commerce." 15 U.S.C. § 1114(1). Here, Softscape's internal use of SuccessFactors trademarks fall outside the definition of "use in commerce" in the Lanham Act:

For purposes of this Act, a mark shall be deemed to be in use in commerce —

(1) on goods when —

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

15 U.S.C. § 1127.

² It remains unclear who circulated the presentation. Even if it were an employee of Softscape, that action is outside the scope of his or her employment and the use of an anonymous name and e-mail account removes any possibility of apparent authority. *Mohr Decl.*, ¶ 9. The acts of the distributor, if it were an employee of Softscape, are thus not attributable to Softscape. *See* Restatement (3d) of Agency § 7.03. The only use of SuccessFactors' trademark attributable to Softscape is *internal* use.

1 Because Softscape's use of SuccessFactors' trademark was purely internal, and not used in
 2 commerce, the Lanham Act has *no application* to the unfortunate distribution of the Presentation.
 3 *See 1-800 Contacts v. WhenU.com, Inc.*, 414 F.3d 400, 409 (2d Cir. 2005) (holding that a
 4 "company's internal utilization of a trademark in a way that does not communicate it to the public
 5 is analogous to a[n] individual's private thoughts about a trademark. Such conduct simply does not
 6 violate the Lanham Act . . ."); *see also* Louis Altman, 4 *Callmann on Unfair Competition*,
 7 *Trademarks and Monopolies* § 22:25 n.1 (4th ed. 2004) ("A fortiori, a defendant who does not
 8 sell, but merely uses internally within his own company, the trademarked product of another, is
 9 not a trademark infringer or unfair competitor by virtue of such use.").

10 Since SuccessFactors cannot establish that Softscape used SuccessFactors' trademarks in
 11 commerce, and Softscape's internal use does not violate the Lanham Act, a preliminary injunction
 12 for trademark infringement is inappropriate. *See Freecycle Network, Inc. v. Oey*, 505 F.3d 898, 903
 13 (9th Cir. 2007) (reversing a grant of preliminary injunction on a trademark infringement claim
 14 because the plaintiff's "actions likely did not constitute a 'use in commerce,' as the record in this
 15 case does not indicate they were made to promote any competing service or reap any commercial
 16 benefit whatsoever.").

17 **(c) There is No Probability of Success for the False Advertising Claim**
 18 **Under the Lanham Act Because Softscape Did Not Distribute the**
 19 **Presentation**

20 Although SuccessFactors spends considerable effort trying to demonstrate that the
 21 Presentation is false, and that Softscape believed the information to be accurate, that issue is
 22 irrelevant for purposes of determining whether a preliminary injunction should issue. Instead,
 23 SuccessFactors' false advertising claim is meritless for three other reasons: (1) the Presentation
 24 was not "used in commerce" by Softscape, (2) the Presentation was not an advertisement, and (3)
 25 Softscape did not circulate the Presentation in interstate commerce.

26 First, it bears repeating that Softscape's Presentation was not "used in commerce."
 27 Instead, it was an internal Softscape document limited to internal use. Because the Presentation
 28 was not disseminated in commerce by Softscape, SuccessFactors has no claim under Section 43(a)

1 of the Lanham Act. *See Cognotec Servs. v. Morgan Guar. Trust Co.*, 862 F. Supp. 45, 51
 2 (S.D.N.Y. 1994) (despite bank's internal distribution of allegedly infringing materials, absent
 3 dissemination "in commerce," plaintiff failed to state a claim for a violation of section 43(a) of the
 4 Lanham Act); *see also* 15 U.S.C. § 1125(a)(1) ("use in commerce" is a prerequisite for any civil
 5 action).

6 Second, SuccessFactors must prove that the Presentation was a "commercial
 7 advertisement." *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997)
 8 (noting that a false advertising claim requires a commercial advertisement). A commercial
 9 advertisement is defined as "1) commercial speech; 2) by a defendant who is in commercial
 10 competition with plaintiff; 3) for the purpose of influencing consumers to buy defendant's goods
 11 or services. While the representations need not be made in a 'classic advertising campaign,' but
 12 may consist instead of more informal types of 'promotion,' the representations 4) must be
 13 disseminated sufficiently to the relevant purchasing public to constitute 'advertising' or
 14 'promotion' within that industry." *Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1181 (9th Cir. 2003).
 15 SuccessFactors' claim fails on the requirement that the "speech" – the circulation of the
 16 Presentation – be conducted by Softscape. It was not. *See generally* Mohr Decl.

17 Finally, and for the same reason, SuccessFactors must prove that Softscape caused the
 18 advertisement "to enter interstate commerce." *Southland Sod Farms*, 108 F.3d at 1139. Softscape
 19 did no such thing. Though somebody circulated the Presentation – and Softscape continues to
 20 investigate that leak – it was not Softscape. SuccessFactors' false advertising claim falters on this
 21 fact.

22 **B. Even If This Court Were Inclined To Continue The TRO, It Is Overbroad And**
 23 **Should Be Limited**

24 Although, as demonstrated above, there are no grounds for entering a preliminary
 25 injunction, if this Court were to consider entering a preliminary injunction, Softscape submits it
 26 would have to be much more narrowly tailored than the TRO.

27 The Court ordered, in the TRO, that Softscape refrain from "[p]ublishing, circulating, e-
 28

1 mailing, making available or otherwise distributing any product or document using Plaintiff's
 2 trademarks or Plaintiff's secret information." TRO (Docket No. 26) at p. 2. Softscape submits
 3 that, at a minimum, this provision should be limited to apply only to external, as opposed to
 4 internal, activities. *See 1-800 Contacts v. WhenU.com, Inc.*, 414 F.3d 400, 409 (2d Cir. 2005)
 5 (holding that a "company's internal utilization of a trademark in a way that does not communicate
 6 it to the public is analogous to a[n] individual's private thoughts about a trademark. Such conduct
 7 simply does not violate the Lanham Act . . ."). Nor should Softscape be prohibited from any
 8 lawful or permissible use of SuccessFactors' trade secrets or trademarks. *See, e.g., Mattel Inc. v.*
 9 *Walking Mountain Products*, 353 F.3d 792, 809-10 (9th Cir. 2003) (describing nominative fair use
 10 of another company's trademark).

11 The Court also ordered Softscape to refrain from "[m]aking any statements that purport to
 12 be made by anybody other rather [sic] than Defendants or its agents." TRO at p. 2. Softscape
 13 suggests that this requirement is vague and overbroad, since it could be read to prohibit Softscape
 14 from repeating any statement made by any customer, industry analysts or third party. Under this
 15 broad, but possible, reading, Softscape could not publish a customer testimonial on its website. If
 16 Softscape is so prohibited, the order raises substantial First Amendment concerns. *See, e.g.,*
 17 *United States v. Schiff*, 379 F.3d 621, 626 (9th Cir. 2004) (holding that a preliminary injunction
 18 that restrains commercial speech is permissible only to the extent the commercial speech is
 19 fraudulent, if the speech will incite imminent unlawfulness, or if the speech and aids or abets
 20 criminal activity). The TRO, as it could be interpreted, extends far beyond these limits. Thus this
 21 portion of the Order should, at the very least, be modified to comport with Softscape's First
 22 Amendment rights.

23 **C. Because Plaintiff Is Seeking Full Of Discovery In An Unreasonable Timeframe,**
 24 **There Is No Justification For Expedited Discovery**

25 This Court should deny SuccessFactors' request for expedited discovery for three reasons.
 26 First, SuccessFactors' allegations provide no basis for preliminary injunctive relief and the
 27 proposed expedited discovery neither addresses nor removes the infirmity. Second,

1 SuccessFactors' requested discovery is substantially overbroad – consisting of nearly all discovery
 2 that is possible in this case – and should therefore be denied. Third, there is no risk of lost
 3 evidence.

4 SuccessFactors initially argues that because it is seeking a preliminary injunction,
 5 expedited discovery is somehow appropriate. Expedited Discovery Motion at pp. 4-6. But
 6 expedited discovery is not warranted here when SuccessFactors has not established that they
 7 would be able to obtain a preliminary injunction *even if* the requested discovery were granted. In
 8 other words, the expedited discovery is futile. For example, SuccessFactors cannot allege any
 9 cognizable loss under the CFAA, and no amount of discovery from Softscape will remedy that
 10 deficiency. Similarly, SuccessFactors cannot show a threat of future irreparable injury. Indeed,
 11 all of SuccessFactors' proposed discovery is entirely backward-looking. *See* Declaration of Liwan
 12 A. Mah (Docket No. 13) ("Mah Decl."), Ex. A. SuccessFactors concedes that the *entire*
 13 preliminary injunction motion "is about one document: the Presentation." Application for
 14 Expedited Discovery at p. 5. This only highlights, however, the fundamental flaw with
 15 SuccessFactors' request for a preliminary injunction – because there is no threat of future
 16 irreparable injury, this Court cannot grant a preliminary injunction. No amount of discovery into
 17 the nature and creation of the Presentation can remedy that flaw.

18 Particularly relevant here, *Qwest Commc'n Int'l, Inc. v. World-Quest Networks, Inc.*, 213
 19 F.R.D. 418, 421 (D. Colo. 2003), confirms there is no good cause for expediting discovery in
 20 anticipation of preliminary injunction when the proposed discovery relates to *past conduct*. In that
 21 case, Qwest sought expedited discovery related to the defendant's past conduct that allegedly
 22 infringed on Qwest's trademark. The court confirmed that rule, discussed above, that a
 23 preliminary injunction is proper only upon evidence that "irreparable injury may occur *pendente*
 24 *lite* if the preliminary injunction is not granted." *Id.* Applying that rule, the court rejected
 25 expedited discovery because "much of the expedited discovery that Qwest seeks addresses
 26 conduct that has already occurred, which would have little, if any, bearing on irreparable injuries
 27 that may occur *pendente lite*." *Id.* The same result should apply here, especially because *all* of
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1 SuccessFactors proposed discovery is backward looking with no bearing on the future threat of
2 irreparable injury.

3 Second, SuccessFactors' proposed discovery is extremely overbroad and should be
4 rejected out of hand. As a small sampling, SuccessFactors' amazingly labels the following
5 document requests as "limited:"

- 6 • All documents concerning the genesis, creation, review, or revision of the
7 presentation, including but not limited to any version, edits, memoranda, notes,
8 e-mails, embedded objects, file histories, or document management system logs;
- 9 • All documents concerning any assertions in the presentation, including but not
10 limited to documents that support or refute those assertions;
- 11 • All communications concerning the presentation or any assertion therein, including
12 but not limited to communications between or involving Softscape employees, its
13 customers, or current or former SuccessFactors employees;
- 14 • A true and accurate bit-for-bit copy of the data storage media for any computer
15 that has or has had access to the IP address 68.236.68.19; and
- 16 • A true and accurate bit-for-bit copy of the data storage media for any computer
17 that was involved in the creation, modification, collection of information for,
18 sharing, or e-mailing of the presentation.

16 See Mah Decl., Ex. A. The proposed Rule 30(b)(6) deposition is no less broad and burdensome.

17 *Id.* To highlight just one request, there are potentially hundreds of computers, printers and other
18 devices that connected or had access at any given point in time to the IP address 68.236.68.19. It
19 is not likely that Softscape could *locate*, much less image, the hard drive of each of these devices
20 within a mere five (5) days. Yet SuccessFactors is more than happy to downplay the massive cost
21 associated with this single document request. See Motion for Expedited Discovery at p. 5.

22 Just as this Court has discretion to grant expedited discovery, this Court also has discretion
23 to prevent excessive or burdensome discovery. *Qwest Commc'n*, 213 F.R.D. at 419. Courts
24 routinely deny requests for overly broad, burdensome expedited discovery. *Philadelphia*
25 *Newspapers, Inc. v. Gannett Satellite Info. Network*, 1998 U.S Dist. LEXIS 10511 *6 (E.D. Pa.
26 July 15, 1998) ("courts generally deny motions for expedited discovery when the movant's
27 discovery requests are overly broad"). The *Philadelphia Newspapers* case is instructive. In that
28

1 case, the court looked past the movant's contention that the document requests were narrowly
2 tailored and examined the scope of the requests. Upon examination, the court found that the
3 document requests, like those here, were "potentially quite sizeable" because they asked for whole
4 volumes of documents rather than a few specific documents. *Id.* at *8-9. The court consequently
5 rejected the discovery request.

6 Courts have been even more hesitant to allow broad expedited discovery in the name of
7 resolving preliminary injunction motions to supplant standard merits discovery. For example, in
8 *Better Packages, Inc. v. Zheng*, 2006 U.S. Dist. LEXIS 30119 (D.N.J. May 17, 2006), the court
9 was faced with similarly broad discovery requests in preparation for a motion for preliminary
10 injunction. The court rejected expedited discovery because it was "overly broad and extended
11 well beyond those issues likely to arise in a preliminary injunction hearing." *Id.* at *13. The court
12 was even more skeptical of the discovery because "the factual basis for [the plaintiff's]
13 preliminary injunction is nearly identical to those allegations contained in the Complaint" and
14 "would lead to the parties conducting nearly all discovery in an expedited fashion under the
15 premise of preparing for a preliminary injunction hearing, *which is not the purpose of expedited*
16 *discovery.*" *Id.* at 15 (emphasis added).

17 Because the Complaint here is about the creation and dissemination of the Presentation,
18 SuccessFactors' proposed discovery suffers from the same flaw: it seeks to shoehorn all, or nearly
19 all, conceivable merits discovery into an expedited process. *See Independence Blue Cross v.*
20 *Health Sys. Integration, Inc.*, 1997 U.S. Dist. LEXIS 781 (E.D. Pa. Jan. 29, 1997) (rejecting
21 expedited discovery before a preliminary injunction because "the topics into which [plaintiff]
22 intends to explore are beyond what is needed in a motion for injunctive relief and appears to delve
23 into the merits of the underlying dispute between the parties.")). SuccessFactors' proposed
24 discovery is even more unjust because it is a one-way street. It forces Softscape to bear the risk
25 and costs of expedited discovery (*e.g.*, only five (5) days to respond to the overbroad discovery
26 discussed above) whereas SuccessFactors would enjoy the reduced pace, burden, risks and cost of
27 non-expedited discovery.

1 Finally, there is no risk of the loss of electronic data and other material. SuccessFactors
 2 has no evidence that any electronic data is being “deleted or manipulated” by Softscape. *See*
 3 Application for Expedited Discovery at p. 5. On the contrary, Softscape is fully SAS 70 Type II
 4 compliant and Softscape backs up all relevant company information on a daily basis, takes its
 5 obligations of preserving all potentially relevant material seriously, and has already effectuated the
 6 necessary document and data retention policies. *See* Mohr Decl., ¶ 10. In other words, there will
 7 be no data lost by denying expedited discovery. Unless SuccessFactors can point to some unique
 8 evidence that demonstrates an imminent risk of loss of the relevant material, its argument that the
 9 presence of electronic data justifies expedited discovery would hollow-out the mandatory
 10 discovery stay in Rule 26(d)(1) because virtually every modern lawsuit involves electronic data.
 11 That discovery will involve electronic data, without more, cannot justify expedited discovery,
 12 especially where, as here, there is no risk of data loss.

13 IV. CONCLUSION

14 SuccessFactors’ preliminary injunction motion seeks a present remedy for a past wrong.
 15 This is not the purpose of a preliminary injunction. Unless and until SuccessFactors can
 16 demonstrate a serious threat of a future wrong – as well as probability of success on the merits of
 17 its claims – a preliminary injunction is improper, and SuccessFactors’ proposed expedited
 18 discovery is futile, overbroad, unduly burdensome and unnecessary. This Court should therefore
 19 refrain from granting a preliminary injunction and deny SuccessFactors’ application for expedited
 20 discovery.

21
 22 Dated: March 17, 2008

Respectfully submitted,

23 TAYLOR & COMPANY LAW OFFICES, LLP

24
 25 By: /s/
 26 Jessica L. Grant

27 Attorneys for Defendant SOFTSCAPE, INC.